

**TIRNO-99-D-0005**  
**Report on Compliance with Requirements**  
**Applicable to Major Programs and on Internal**  
**Control Over Compliance in Accordance with the**  
**Office of Management and Budget Circular A-133**  
**Fiscal Year 2001**

**August 2002**

**Reference Number: 2002-1C-133**

This report has cleared the Treasury Inspector General for Tax Administration disclosure review process and information determined to be restricted from public release has been redacted from this document.



INSPECTOR GENERAL  
for TAX  
ADMINISTRATION

DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

August 2, 2002

MEMORANDUM FOR DAVID A. GRANT  
DIRECTOR OF PROCUREMENT  
INTERNAL REVENUE SERVICE

FROM: Pamela J. Gardiner  
Deputy Inspector General for Audit

SUBJECT: TIRNO-99-D-0005: Report on Compliance with Requirements  
Applicable to Major Programs and on Internal Control Over  
Compliance in Accordance with the Office of Management and  
Budget Circular A-133, Fiscal Year 2001  
(Audit #200210002.025)

The Defense Contract Audit Agency (DCAA) audited the contractor's compliance with requirements described in the Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal programs. The DCAA also audited the contractor's February 7, 2002 certified final indirect cost rate proposal and related books and records for reimbursement of Fiscal Year 2001 incurred costs. The purpose of the audit was to determine the allowability and allocability of direct and indirect costs and form the basis for negotiated indirect cost rates for the period ended September 30, 2001.

The DCAA questioned \$123,784 of overhead and general and administrative costs, and \$194,007 of direct costs incurred under government flexibly-priced contracts. The Internal Revenue Service's portion of these questioned costs is \$3,237. Direct costs the DCAA did not question are provisionally approved pending final acceptance.

In addition, the DCAA stated that another government audit organization has audit responsibility for the direct costs claimed on programs identified as Special Projects in the contractor's "Supplemental Schedule of Expenditures of Federal Awards." The DCAA contacted this organization and discussed the requirements of OMB Circular A-133. However, the DCAA did not have access to the organization's working papers. Therefore, the DCAA was unable to perform the procedures necessary for relying upon the work performed by others. The DCAA qualified the results of this audit accordingly.

The information in this report should not be used for purposes other than that intended without prior consultation with the Treasury Inspector General for Tax Administration regarding its applicability.

If you have any questions, please contact me at (202) 622-6510 or Daniel R. Devlin, Assistant Inspector General for Audit (Headquarters Operations and Exempt Organizations Programs), at (202) 622-8500.

Attachment

# NOTICE:

The Office of Inspector General for Tax Administration has no objection to the release of this report, at the discretion of the contracting officer, to duly authorized representatives of the contractor.

The contractor information contained in this report is proprietary information. The restrictions of 18 USC 1905 must be followed in releasing any information to the public.

This report may not be released without the approval of this office, except to an agency requesting the report for use in negotiating or administering a contract with the contractor.

